

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION INTO ABANDONMENT OF)	CASE NO.
SERVICE BY K&N WATER SERVICE)	91-432

O R D E R

K&N Water Service ("K&N") is a water utility as defined by KRS 278.010(3)(d) since K&N furnishes water to the public for compensation. Therefore, K&N is subject to the regulatory jurisdiction of this Commission pursuant to KRS 278.040.

On August 8, 1991, K&N had a preinspection of it performed by Commission Staff. This preinspection revealed numerous deficiencies in regard to Commission regulations and Kentucky Revised Statutes. A pre-inspection letter listing these items, which is attached hereto and incorporated herein as Exhibit A, was mailed to K&N on August 14, 1991.

On October 8, 1991, the Commission sent a letter to K&N advising them that Kentucky law requires Commission approval before utilities are allowed to discontinue service to its customers, and requesting that the application be filed no later than October 16, 1991. On October 15, 1991, the Commission received a letter from K&N, attached hereto and incorporated herein as Exhibit B, advising the Commission that they plan to abandon the system as of December 31, 1991. The letter stated the reason for the abandonment to be that it will not be financially

feasible to continue operating the system in compliance with Commission regulations and statutes.

KRS 278.020(4) requires that no person under the jurisdiction of the Commission shall abandon any utility without prior approval by the Commission.

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that further information is needed to determine whether the abandonment of service should be approved by the Commission.

IT IS THEREFORE ORDERED that:

1. An investigation shall be and it hereby is opened to determine whether the abandonment of service by K&N is in the public interest and should be approved by the Commission.

2. K&N shall continue the operation of its water service until it obtains approval of the Commission.

3. K&N shall file the following information with the Commission within 10 days of the date of this Order. K&N shall furnish with each response the name of the witness who will be available for responding to questions concerning each item of information should a public hearing be required in this matter.


- (a) Provide a list of K&N's customers with their full names and addresses.

- (b) Provide information describing any alternative water supplies that K&N's customers may receive.

Done at Frankfort, Kentucky, this 25th day of November, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
710 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY 40602
(502) 564-0940

August 14, 1991

Mr. Gus Naranjo
Partner
K & N Water Service
P. O. Box 65
Clinton, KY 42031

Dear Mr. Naranjo:

On August 8, 1991, a pre-inspection of K & N Water Service was made to review its facility operations and office procedures for compliance with the Kentucky Revised Statutes (KRS 278) and the Public Service Commission Regulations (807 KAR).

This pre-inspection will be used as an informative critique whereby the utility can evaluate how its current procedures rate according to KRS 278 and 807 KAR. The Commission staff will return to K & N within a 6 to 9 month period to reevaluate how many of the following deficiencies have been corrected. The following deficiencies were noted during the August 8, 1991 pre-inspection.

1. The utility is not providing sufficient information on its water bills in accordance with 807 KAR 5:006, Section 6.
2. The utility does not meter its water service to its customers. In accordance with Commission regulations (807 KAR 5:066, Section 14) all water sold by a utility shall be upon the basis of metered volume sales except for the following: temporary service, public and private fire protection service, or water used for street sprinkling and sewer flushing.

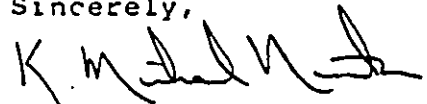
K & N should begin now to develop plans for installing water meters on each customer's service. As K & N may be aware KRS 278 has revised the law regarding "tapping fee". This law allows any utility which is engaged in distributing or furnishing of water to or for the public, for compensation, may, subject to the approval of the Commission, make a charge or "tapping fee" for installing service to its customers. The "tapping fee" shall include charges for a service tap, meter, meter vault, and installation thereof (KRS 278.0152).

3. The utility is not keeping a record of all complaints concerning utility service as required in 807 KAR 5:006, Section 8.
4. The utility is not maintaining its system maps as required in 807 KAR 5:006, Section 18(1).
5. The utility is not keeping its records in its principal office or other safe storage place pursuant to 807 KAR 5:006, Section 19.
6. The utility does not have a safety program outlined on performance of work, safety methods, occupational hazards and artificial respiration as specified in 807 KAR 5:006, Section 22.
7. The utility has not adopted a procedure for inspection to assure safe and adequate operation of its facilities as required by 807 KAR 5:006, Section 23.
8. The utility is not maintaining a record on interruptions of service to include: cause of interruption, date, time, duration, remedy and steps taken to prevent reoccurrence as required in 807 KAR 5:066, Section 5(5).
9. The utility does not have a recording pressure gauge that can record a continuous 24-hour test as required by 807 KAR 5:066, Section 6(2).
10. The utility is not performing nor keeping records of annual pressure surveys as specified by 807 KAR 5:066, Section 6(3).

11. The utility does not have a measuring device at each source of supply and does not keep a record of water purchased and/or produced as required by 807 KAR 5:066, Section 7(1 & 2).
12. The utility has made improvements and extensions which were not designed by an engineer registered in the State of Kentucky pursuant to 807 KAR 5:066, Section 8.
13. The utility has extended a small diameter water main in excess of the distance allowed by 807 KAR 5:066, Section 11.
14. The utility is not providing to its customers information regarding the chemical constituents and bacteriological standards pursuant to 807 KAR 5:066, Section 3(1).
15. K & N shall, as to rates or service, not give any unreasonable preference or advantage to any person or subject any person to any unreasonable prejudice or disadvantage, or establish or maintain any unreasonable difference between localities or between classes of service for doing a like and contemporaneous service under the same or substantially the same conditions as required in KRS 278.170. Discrimination as to rates or service - Free or reduced rates and services.

Upon receipt of this letter, K & N should begin appropriate action to correct any noted deficiency not meeting the Commission's regulations. If you should need any clarification regarding any of the above deficiencies, please feel free to call me at (502) 564-2133.

Sincerely,



K. Michael Newton
Utility Investigator

October 10, 1991

RECEIVED

Mr. Lee MacCracken
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

OCT 15 1991

PUBLIC SERVICE
COMMISSION

Dear Mr. MacCracken:

I am writing in response to the suggestion made by Mr. Mike Newton that we advise you of our plans to close K & N WATER SYSTEM as of December 31, 1991. Our system is very small, and we do not feel it is financially feasible for us to continue operating and still comply with the rules and regulations placed upon us by the Public Service Commission.

First of all, we wish to make it clear that we have no intention of leaving any of our customers without water. We will make sure everyone has made other provisions for water service before closing. Mike Newton suggested that perhaps each customer might wish to buy equal shares in the company, thereby eliminating the classification as a public service. However, I understand that six families have this week chosen to either drill wells or hook on to another well.

We have heard that some of our customers are thinking that our purpose in closing is to force each of them into having wells drilled, since this is our main profession. In answer to this, we are certainly not the only well drillers in the area, and they are not obligated to us in any way. As a matter of fact, one customer has already had a well drilled by another out-of-state driller. Our main reason for discontinuing operation is simply because we cannot withstand the financial burden imposed upon us by the requirements of the Public Service Commission. The profits are very small when compared to the time and energy required to operate a system of this type. Several times a pump has quit, and we have had to absorb the cost in order to keep the system going.

On October 18th we plan to hold a meeting with the remaining customers. Our Judge Executive Greg Pruitt, along with a representative from the Health Department will be in attendance to advise on legal and health matters.

If you have any further questions as to the reasons for our decision in this matter, please do not hesitate to call.

Sincerely,

Gus Harbojo
K & N WATER SERVICE

EXHIBIT B